

This record is a partial extract of the original cable. The full text of the original cable is not available.

UNCLAS SECTION 01 OF 02 DHAKA 006194

SIPDIS

STATE FOR INL, SCA AND EB/ESC/TFS
JUSTICE FOR OIA AND AFMLS
TREASURY FOR FINCEN

E.O. 12958: N/A

TAGS: [EFIN](#) [KCRM](#) [KTFN](#) [PTER](#) [SNAR](#) [BG](#)

SUBJECT: 2006 INCSR PART II - BANGLADESH

REF: STATE 210691

The text of Post's 2006 INCSR Part II submission, requested reftel, is set forth below:

Bangladesh

Bangladesh is not an important regional financial center. There are no indications that substantial funds are laundered through the official banking system. The principal money laundering vulnerability remains the widespread use of the underground hawala or "hundi" system to transfer value outside the formal banking network. The vast majority of hundi transactions in Bangladesh are used to repatriate wages from Bangladeshi workers abroad. However, as elsewhere, the hundi system is also used to avoid taxes, customs duties and currency controls and as a compensation mechanism for the significant amount of goods smuggled into Bangladesh. Traditionally, trade goods provide counter valuation in hundi transactions.

An estimated \$1 billion dollars worth of dutiable goods is smuggled every year from India into Bangladesh. A comparatively small amount of goods is smuggled out of the country into India. Instead, hard currency and other assets flow out of Bangladesh to support the smuggling networks. Corruption is a major area of concern in Bangladesh. The non-convertibility of the local currency (the taka) coupled with intense scrutiny on foreign currency transactions in formal financial institutions also contribute to the popularity of both hundi and black market money exchanges. Money exchanges outside the formal banking system are illegal. Offshore financial accounts are not permitted in Bangladesh. During the last year, there has been a significant increase in the amount of money transferred through the formal banking system as a result of the efforts by the Bangladesh Government to increase the efficiency of the process.

Bangladeshis are not allowed to take more than 3,000 taka (approximately \$50) out of the country. There is no limit as to how much currency can be brought into the country, but amounts over \$5,000 must be declared. Customs is primarily a revenue collection agency, accounting for 40-50 percent of annual Bangladesh government income.

Since 2004, the central Bank, Bangladesh Bank (BB) has conducted training for every bank's headquarters around the country in "know your customer" practices. Since Bangladesh does not have a national identify card and because most Bangladeshis do not have a passport, there are difficulties in enforcing customer identification requirements. In most cases, banking records are maintained manually with little support technology, although this is changing, especially in head offices. Accounting procedures used by the Bangladesh Bank may not in every respect achieve international standards.

In 2004, the Bangladesh Bank issued "Guidance Notes on Prevention of Money Laundering" and designated effective anti-money laundering compliance programs as a "core risk" subject to the annual bank supervision process of the Bangladesh Bank. Banks are required to have an anti-money laundering compliance unit in their head office and a designated anti-money laundering compliance officer in each bank branch. The Bangladesh Bank conducts regular training programs for compliance officers based on the guidance notes.

In December, 2005, the central bank brought all compliance officers to Dhaka for a discussion about their obligations and heightened police interest in money laundering and terrorist financing.

Currently, Bangladesh does not have a Financial Intelligence Unit (FIU) per se. However, under the 2002 Money Laundering Prevention Act (MLPA), the Anti-Money Laundering Unit (AMLU) of Bangladesh Bank acts as a de facto FIU and has authority to freeze assets without a court order and seize them with a court order. As noted below, this will soon be remedied. The Bangladesh Bank has received 45 suspicious transaction reports in 2005 to make a total of 193 suspicious transaction reports since the MLPA was passed in 2002. By 2004, 134 were resolved without further action. The remaining reports were

transferred from the now defunct Bureau of Anti-Corruption to the newly created Anti-Corruption Commission (ACC). The ACC has advised the bank that they will not investigate these cases and stated it will send the files back to the bank by December 31, 2005. Currently, there are 29 cases pending with the Criminal Investigation Division of Bangladesh Police Headquarters which Bangladesh Bank referred to them after the ACC abruptly refused to investigate.

There have been important developments in 2005 in the anti-money laundering and terrorist financing arena. A new law, The Anti-Money Laundering and Terrorist Financing Act 2005 (AMLTf), has been drafted to replace the 2002 Money Laundering Prevention Act (MLPA). It will be presented to the cabinet for approval in mid-December 2005. After Cabinet approval it will be vetted by the Law Ministry and then presented to Parliament. The current draft addresses most of the shortcomings noted in last year's report.

AMLTf criminalizes terrorist financing. It provides powers required for an FIU to meet international recommendations set forth by Financial Action Task Force (FATF) including sharing information with law enforcement at home and abroad. The new legislation also provides for the establishment of a Financial Investigation and Prosecution Office wherein law enforcement investigators and prosecutors will work as a team from the beginning of the case to trial. The 2005 legislation also addresses asset forfeiture and provides that assets, substitute assets (without proving the relation to the crime) and instrumentalities of the crime can be forfeited. The legislation does not address the nuts and bolts of asset forfeiture which BB claims can be done administratively and via regulatory procedures.

Another major development is that Bangladesh has signed and ratified the UN International Conventions for the Suppression of the Financing of Terrorism. The government is now party to the 12 UN Conventions on Terrorism. The 13th terrorist-related convention was announced by the UN last summer and is under consideration. Bangladesh has not signed the convention against Transnational Organized Crimes. Bangladesh is a party to the 1988 UN Drug Convention, and is a member of the Asia/Pacific Group on Money Laundering.

As mentioned earlier, Bangladesh does not have a law that makes terrorist financing a crime though one has been drafted for Cabinet approval. In 2003, Bangladesh froze a nominal sum in an account of a designated entity on the UNSCR 1267 Sanctions Committee's Consolidated List and identified an empty account of another entity. In 2004, following investigation of the accounts of an entity listed on the UNSCR 1267 consolidated list, Bangladesh Bank fined two local banks for failure to comply with Bangladesh Bank regulatory directives.

Despite advancements and demonstrable political will to address shortcomings in the money laundering and terrorist financing regime, lack of training, resources, computer technology including computer links with the outlying districts continue to hinder the necessary progress. Further crippling efforts is the staggering degree of corruption that merits Bangladesh's last place position in Transparency International's Index for the last four years.

CHAMMAS